WESTOVER TREATMENT CENTRE

Financial Statements

March 31, 2023

WESTOVER TREATMENT CENTRE

Financial Statements

For The Year Ended March 31, 2023

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GRAHAM SCOTT ENNS LLP
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of **Westover Treatment Centre**:

Qualified Opinion
We have audited the financial statements of **Westover Treatment Centre**, which comprise the statement of financial position as at March 31, 2023, and the statement of operations, statement of changes in net assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the organization's financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion
In common with many charitable organizations, the organization derives revenue from donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to contributions and donations, revenues over expenditures, and cash flows for the year ending March 31, 2023 and year ending March 31, 2022, current assets as at March 31, 2023 and March 31, 2022, and net assets as at April 1, 2022 and March 31, 2023 for the 2023 year ended, as well as April 1, 2021 and March 31, 2022, for the 2022 year ended.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organization's financial reporting process.

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INDEPENDENT AUDITORS' REPORT (CONTINUED)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

St. Thomas, Ontario

June 28, 2023

Graham Scott Enns LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Licensed Public Accountants

WESTOVER TREATMENT CENTRE

Statement of Financial Position
As At March 31, 2023

	Operating	Fundraising	**2023**	2022
	$	$	**$**	$
ASSETS				
CURRENT ASSETS				
Cash	196,746	482,240	**678,986**	522,309
Restricted cash	-	36,000	**36,000**	36,000
Accounts receivable	400	-	**400**	2,255
Investments (Note 2)	-	294,156	**294,156**	292,500
Government remittances receivable	16,973	1,439	**18,412**	22,418
Prepaid expenses	24,086	-	**24,086**	21,911
Inter-fund balances (Note 4)	(278,654)	278,654	**-**	-
	(40,449)	1,092,489	**1,052,040**	897,393
TANGIBLE CAPITAL ASSETS (NOTE 5)	-	1,333,330	**1,333,330**	1,269,579
TOTAL ASSETS	(40,449)	2,425,819	**2,385,370**	2,166,972
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	163,569	1,100	**164,669**	129,912
Government remittances payable	35,689	-	**35,689**	29,708
Deferred revenue (Note 6)	-	1,000	**1,000**	81,193
Mortgage payable (Note 7)	-	51,944	**51,944**	70,277
	199,258	54,044	**253,302**	311,090
DEFERRED CAPITAL CONTRIBUTIONS (NOTE 8)	-	922,766	**922,766**	866,216
	199,258	976,810	**1,176,068**	1,177,306
NET ASSETS				
RESTRICTED FOR MAJOR REPAIRS	-	36,000	**36,000**	36,000
INVESTED IN CAPITAL ASSETS	-	358,620	**358,620**	333,086
UNRESTRICTED NET ASSETS (DEFICIT)	(239,707)	1,054,389	**814,682**	620,580
	(239,707)	1,449,009	**1,209,302**	989,666
TOTAL LIABILITIES AND NET ASSETS	(40,449)	2,425,819	**2,385,370**	2,166,972

On Behalf of the Board

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Director Director

WESTOVER TREATMENT CENTRE

Statement of Changes In Net Assets
For The Year Ended March 31, 2023

	March 31, 2023		
	Operating $	Fundraising $	**Total $**
NET ASSETS (DEFICIT), BEGINNING OF YEAR	(227,140)	1,216,806	**989,666**
Excess of revenues over expenditures	(40,067)	259,703	**219,636**
Interfund transfer (Note 4)	27,500	(27,500)	**-**
NET ASSETS (DEFICIT), END OF YEAR	(239,707)	1,449,009	**1,209,302**

	March 31, 2022		
	Operating $	Fundraising $	Total $
NET ASSETS (DEFICIT), BEGINNING OF YEAR	(221,206)	1,071,873	850,667
Excess (deficiency) of revenues over expenditures	(5,934)	144,933	138,999
NET ASSETS (DEFICIT), END OF YEAR	(227,140)	1,216,806	989,666

See accompanying notes to the financial statements

WESTOVER TREATMENT CENTRE

Statement of Operations
For The Year Ended March 31, 2023

	Operating	Fundraising	**2023**	2022
	$	$	**$**	$
REVENUES				
Ministry of Health subsidy	1,638,167	-	**1,638,167**	1,638,176
Fundraising and donations	-	325,048	**325,048**	170,036
Ministry of Health special funding	242,965	-	**242,965**	5,197
Fee for services	305,500	-	**305,500**	283,000
OH - Integrated Virtual Care Project funding	-	-	**-**	146,426
Amortization of deferred contributions	-	51,714	**51,714**	44,504
Rent (Note 4)	-	37,008	**37,008**	37,008
Book sales	-	4,267	**4,267**	4,114
Investment income (loss) (Note 2)	475	1,657	**2,132**	(3,299)
	2,187,107	419,694	**2,606,801**	2,325,162
EXPENDITURES				
Wages and benefits	1,580,043	-	**1,580,043**	1,435,614
Food and related equipment	173,518	-	**173,518**	146,804
Program resources and supplies	67,010	12,051	**79,061**	82,592
Amortization	-	78,638	**78,638**	65,753
Maintenance services	75,519	-	**75,519**	42,290
Special projects	-	65,639	**65,639**	26,037
Telephone and utilities	56,580	-	**56,580**	46,029
Funded withdrawal management expenses	53,217	-	**53,217**	52,395
Computer maintenance, office supplies, postage	52,544	-	**52,544**	73,591
Rent and property taxes (Note 4)	39,441	-	**39,441**	38,874
Maintenance supplies	34,543	-	**34,543**	73,394
Insurance	32,483	-	**32,483**	28,023
Travel	15,751	-	**15,751**	2,298
Marketing, membership and professional dues	14,906	-	**14,906**	33,081
Staff education	13,111	-	**13,111**	12,305
Professional fees	8,400	-	**8,400**	8,400
Bank charges	7,571	-	**7,571**	8,094
Ministry of Health special funding purposes - property maintenance	-	-	**-**	5,197
Interest on long-term debt	-	3,663	**3,663**	2,740
Advertising and promotion	2,537	-	**2,537**	2,652
	2,227,174	159,991	**2,387,165**	2,186,163
EXCESS OF REVENUES OVER EXPENDITURES	(40,067)	259,703	**219,636**	138,999

See accompanying notes to the financial statements

WESTOVER TREATMENT CENTRE

Statement of Cash Flow
For The Year Ended March 31, 2023

	2023 $	2022 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenues over expenditures for the year	**219,636**	138,999
Amortization of tangible capital assets	**78,638**	65,753
Amortization of deferred capital contributions	**(51,714)**	(44,504)
Non cash changes in investments	**(1,657)**	3,299
	244,903	163,547
Changes in non-cash working capital:		
Accounts/government remittances receivable	**5,861**	44,744
Prepaid expenses	**(2,175)**	(1,467)
Accounts payable and accrued liabilities	**40,738**	(42,508)
Deferred revenue	**(80,193)**	81,193
	209,134	245,509
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to tangible capital assets	**(142,388)**	(73,333)
	(142,388)	(73,333)
CASH FLOWS FROM FINANCING ACTIVITIES		
Tangible capital asset contributions	**108,264**	70,553
Repayments of long-term debt	**(18,333)**	(18,333)
	89,931	52,220
NET CHANGE IN CASH DURING THE YEAR	**156,677**	224,396
CASH, BEGINNING OF YEAR	**558,309**	333,913
CASH, END OF YEAR	**714,986**	558,309

See accompanying notes to the financial statements

NATURE OF THE ORGANIZATION

Westover Treatment Centre (the "organization") is a not-for-profit organization incorporated under the Ontario Business Corporations Act. The organization exists to enable individuals and their friends and family to recover from chemical dependency and co-dependency, in order to lead healthy and productive lives.

The organization is a registered charity and, as such, is exempt from income tax and may issue income tax receipts to donors.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

Fundraising Fund

The fundraising fund was established to record all transactions associated with the non-funded capital and operating activities. Items funded by the Ministry of Health are recorded in the "Operating Fund".

Use of Estimates

The preparation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

Tangible Capital Assets and Amortization

Tangible capital assets are stated at cost less accumulated amortization. Amortization is calculated on a straight-line basis at the following rates:

Buildings, roof, and windows - 40 and 25 years
Equipment - 3 and 10 years
Parking lot - 10 years

When as asset is sold or otherwise disposed of, the original cost and related accumulated amortization are removed from the accounts and the gain or loss is recognized in earnings.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments

Measurement of financial instruments

The organization initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in operations.

Financial assets measured at amortized cost include accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, and mortgage payable.

Financial assets measured at fair value include cash and investments.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net operations. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in operations.

Revenue Recognition

The organization follows the deferral method of accounting for restricted grants and other contributions, recognizing revenue in the year in which the related expenses are incurred. Unrestricted grants, donations, fundraising activities and other contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonable assured.

Deferred contributions related to tangible capital assets are amortized and recognized as revenue on the same basis as the amortization expense related to the acquired tangible capital assets.

Investment income is recognized as revenue when earned. Investment income on unrestricted funds are recorded in the Statement Operations - Operating Fund while investment income earned on restricted funds are reported in the Statement of Operations - Fundraising Fund.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recovery of Expenses

When the organization is reimbursed for expenses incurred in providing resources to another organization, the reimbursement is netted against the corresponding expense accounts rather than being shown as separate item in the Statement of Operations.

Contributed Services and Materials

Due to the difficulty in determining the fair value of materials contributed to the organization they are not recognized in the financial statements.

Volunteers contribute hours each year to assist the organization in carrying out its activities. Due to the difficultly of determining their fair value, contributed services are not recognized in the financial statements.

Impairment

A long-lived asset is tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

2. INVESTMENTS

	2023	2022
	$	$
Fundraising Fund		
Guaranteed investment certificates, maturing in April - May 2023 with interest rates of 2.55%	**182,723**	177,227
Mutual fund investment (at fair market value)	**111,433**	115,273
	294,156	292,500

The total income earned in the year on the guaranteed investment certificates was $5,496 (2022 - $3,908). Mutual fund investments are valued at fair market value at the year end date, which resulted in an unrealized loss of $12,746 in 2022 (2022 - loss of $7,206).

3. BANK FACILITY

The organization has a revolving line of credit to a maximum of $25,000 that bears interest at the prime rate plus 1.125%. The balance drawn on the line of credit at year end was $Nil (2022 - $Nil).

4. FUND TRANSACTIONS AND BALANCES

The fundraising fund charged the operating fund $37,008 (2022 - $37,008) for rent in the year. These rental amounts are reported in revenue and expenditures of the appropriate fund. Additionally, during the year, the fundraising fund was approved to transfer $27,500 to the operating fund. This has been presented as a transfer to net assets. At year end, the operating fund owed the fundraising fund $278,654 (2022 - $308,973).

5. TANGIBLE CAPITAL ASSETS

	Cost $	Accumulated Amortization $	**2023** **$**	2022 $
Fundraising Fund				
Land	150,000	-	**150,000**	150,000
Building, roof and windows	2,517,300	1,532,174	**985,126**	973,785
Equipment and generator	393,063	200,233	**192,830**	135,046
Parking lot	53,733	48,359	**5,374**	10,748
	3,114,096	1,780,766	**1,333,330**	1,269,579

6. DEFERRED REVENUE

Deferred revenue represents funding received that is related to a specific project or program. These funds are to be recognized as revenue in the same period as the related expenses are incurred. Changes in the deferred revenue balance are as follows:

	2023 **$**	2022 $
Beginning balance, related to deferred revenue	**81,193**	-
Add: Ministry of Health CIRF funding deferred	**1,000**	73,693
Add: Private pay fees deferred to fiscal 2022-23	**-**	7,500
Less: Amount recognized as revenue in the year	**(81,193)**	-
Ending balance, related to deferred revenue	**1,000**	81,193

7. MORTGAGE PAYABLE

	2023	2022
	$	$
Bank of Montreal demand loan, interest at prime plus 1%, repayable in monthly principal instalments of $1,528 plus interest, secured by mortgage on land and buildings	**51,944**	70,277

The aggregate amount of principal payments required in each of the next three years to meet debt retirement provisions is as follows:

	$
2024	18,336
2025	18,336
2026	15,272
	51,944

8. DEFERRED CAPITAL CONTRIBUTIONS

	2023	2022
	$	$
Balance, beginning of year	**866,216**	840,167
Additional capital contributions in the year:		
Westover Foundation	**-**	70,553
Community Infrastructure Renewal Fund	**108,264**	-
Less: Amounts amortized to revenue	**(51,714)**	(44,504)
Balance, end of year	**922,766**	866,216

Deferred capital contributions represent the unamortized amount of funds received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

9. ECONOMIC DEPENDENCE

The majority of the organization's revenues are derived from the Ontario Ministry of Health. The organization has a service agreement until March 2024. The organization is required to file various reports to ensure compliance with the funding agreements. If the organization does not spend funding according to the agreements or is not in compliance with the agreements the organization may be required to repay some of the funding. At year end, the organization was in compliance with these agreements. The organization's management does not foresee any issues that would cause this funding to be discontinued.

10. EMPLOYEE RETIREMENT BENEFITS

The organization has a defined contribution plan (registered retirement savings plan) where the employer pays 4% to 6% depending on employment classification. In the year the organization contributed approximately $48,300 (2022 - $38,150). These contributions are included in wages and benefits on the statement of operations.

11. FINANCIAL INSTRUMENT RISKS

The organization is exposed to various risks through its financial instruments. The following analysis provides a measure of organization's exposure and concentrations at the statement of financial position date. There were no changes in these assessments from the prior year.

Liquidity risk

Liquidity risk is the risk that a organization will encounter difficulty in meeting obligations associated with financial liabilities. The organization is exposed to this risk mainly in respect of its accounts payable and accrued liabilities and mortgage payable. No financial liabilities of the organization were in default during the period and the organization was not subject to any covenants during the period.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The organization does not have any significant exposure to any individual customer other than the Ministry of Health and Long-term Care.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The corporation is mainly exposed to interest rate risk.

11. FINANCIAL INSTRUMENT RISKS (CONTINUED)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The organization is exposed to interest rate risk on its mortgage payable where there are variable interest rates, since these rates are affected by changes in the prime rate. It is management's opinion that this exposure is not significant.

It is management's opinion that the entity is not exposed to any significant foreign currency or other price risk.

The organization was not in breach of any of its covenants during the period.

The organization was not subject to any covenants during the period.

There have been no changes to the assessed levels of these risks in the year.